

FREMONT COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2008

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Fremont Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2007 Election)</b>		
Gary Mitterer	President	2007
Bryan Archer	Vice President	2008
Diane Darland	Board Member	2007
Melissa Gingrich	Board Member	2008
Jason Walker	Board Member	2009
<b>Board of Education</b>		
<b>(After September 2007 Election)</b>		
Gary Mitterer	President	2010
Bryan Archer	Vice President	2008
Tom Judy	Board Member	2010
Melissa Gingrich	Board Member	2008
Jason Walker	Board Member	2009
<b>School Officials</b>		
Dr. Dean Cook	Superintendent (Resigned)	2008
Ann Morgan	Superintendent (Interim)	2008
Kevin McGuire	Superintendent	2008
Nancy Rutledge	District Secretary (Resigned)	2008
Jake Roberts	District Secretary (Interim)	2008
Dee Hoke	District Secretary (Resigned)	2008
Shelly Anderson	District Secretary	2008
Brian Gruhn	Attorney	2008

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Fremont Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Fremont Community School District, Fremont Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Fremont Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 19, 2009 on our consideration of the Fremont Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 32 through 33 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fremont Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2007 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Nolte, Cornman & Johnson PC*

NOLTE, CORNMAN & JOHNSON, P.C.

March 19, 2009

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Fremont Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2008 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$1,858,334 in fiscal 2007 to \$1,836,628 in fiscal 2008, while General Fund expenditures increased from \$1,838,585 in fiscal 2007 to \$1,934,164 in fiscal 2008. This resulted in a decrease in the District's General Fund balance from \$80,641 in fiscal 2007 to a deficit balance of \$16,895 in fiscal 2008.
- The decrease in General Fund revenues was attributable to a decrease in local revenues in fiscal 2008. The increase in expenditures can be attributed to the regular instruction functional area.
- A decrease in interest rates during the past fiscal year resulted in interest earnings in the General Fund to decrease from \$11,773 in fiscal year 2007 to \$9,065 in fiscal year 2008.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Fremont Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Fremont Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Fremont Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Fremont Community School District Annual Financial Report**

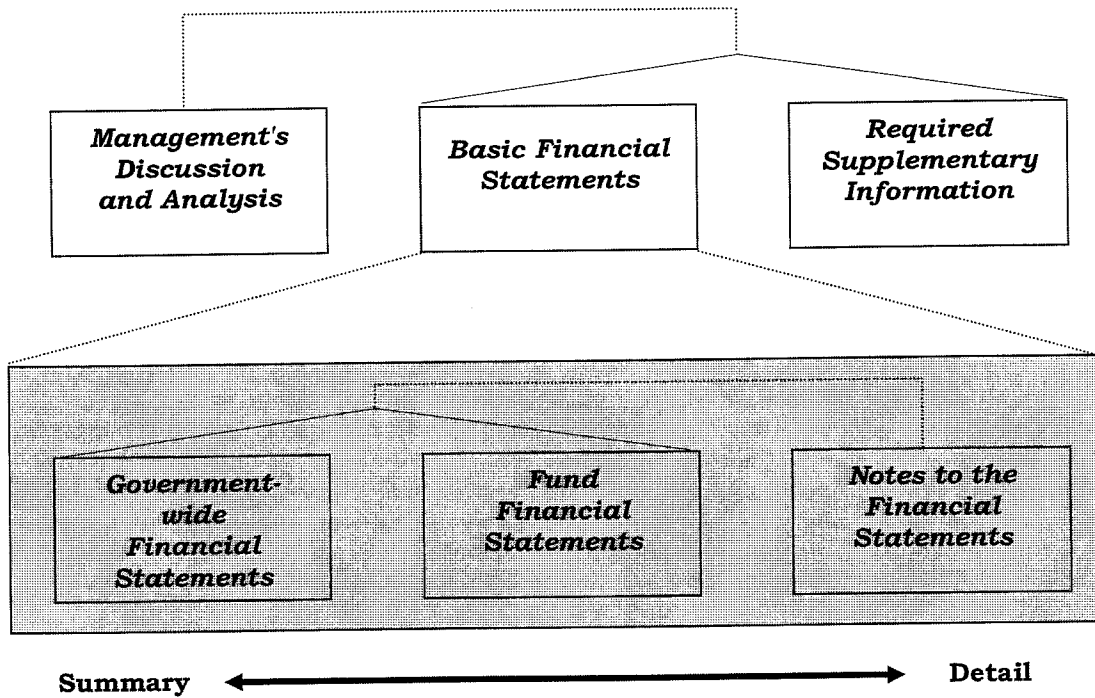


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b>			
<b>Major Features of the Government-wide and Fund Financial Statements</b>			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid



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## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects and Debt Service Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and Day Care Fund.

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 1,286,182	1,358,833	48,455	82,950	1,334,637	1,441,783	-7.43%
Capital assets	1,156,094	1,201,869	7,610	8,988	1,163,704	1,210,857	-3.89%
Total assets	2,442,276	2,560,702	56,065	91,938	2,498,341	2,652,640	-5.82%
Long-term obligations	717,500	760,000	0	0	717,500	760,000	-5.59%
Other liabilities	830,077	868,445	9,374	7,937	839,451	876,382	-4.21%
Total liabilities	1,547,577	1,628,445	9,374	7,937	1,556,951	1,636,382	-4.85%
Net assets:							
Invested in capital assets, net of related debt	438,594	441,869	7,610	8,988	446,204	450,857	-1.03%
Restricted	479,441	399,065	0	0	479,441	399,065	20.14%
Unrestricted	(23,336)	91,323	39,081	75,013	15,745	166,336	-90.53%
Total net assets	\$ 894,699	932,257	46,691	84,001	941,390	1,016,258	-7.37%

The District's combined net assets decreased by \$74,868, or 7.37% from the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$80,376, or 20.14% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day –to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$150,591, or 90.53%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to June 30, 2007.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-08
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 85,920	190,177	120,694	142,526	206,614	332,703	-37.90%
Operating grants and contributions and restricted interest	294,572	269,585	44,318	38,031	338,890	307,616	10.17%
General revenues:							
Property tax	716,589	679,226	0	0	716,589	679,226	5.50%
Local option sales and service tax	178,147	160,484	0	0	178,147	160,484	11.01%
Unrestricted state grants	818,945	776,856	0	0	818,945	776,856	5.42%
Other	33,437	17,201	159	210	33,596	17,411	92.96%
Transfers	0	(3,061)	0	3,061	0	0	0.00%
Total revenues and transfers	2,127,610	2,090,468	165,171	183,828	2,292,781	2,274,296	0.81%
Program expenses:							
Governmental activities:							
Instructional	1,350,177	1,305,201	0	0	1,350,177	1,305,201	3.45%
Support services	672,655	551,612	787	0	673,442	551,612	22.09%
Non-instructional programs	0	2,841	201,694	181,464	201,694	184,305	9.43%
Other expenses	142,336	155,727	0	0	142,336	155,727	-8.60%
Total expenses	2,165,168	2,015,381	202,481	181,464	2,367,649	2,196,845	7.77%
Change in net assets	(37,558)	75,087	(37,310)	2,364	(74,868)	77,451	196.66%
Net assets beginning of year	932,257	857,170	84,001	81,637	1,016,258	938,807	8.25%
Net assets end of year	\$ 894,699	932,257	46,691	84,001	941,390	1,016,258	-7.37%

In fiscal 2008, property tax and unrestricted state grants account for 72.17% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.90% of the revenue from business type activities.

The District's total revenues were approximately \$2.29 million of which \$2.13 million was for governmental activities and \$0.16 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.81% increase in revenues and a 7.77% increase in expenses. The increase in expenditures was due primarily to the increase in support services expenditures compared to the prior year.

### Governmental Activities

Revenues for governmental activities were \$2,127,610 and expenses were \$2,165,168.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional and other expenses, for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 1,350,177	1,305,201	3.45%	1,037,402	905,712	14.54%
Support services	672,655	551,612	21.94%	672,486	551,612	21.91%
Non-instructional	0	2,841	-100.00%	0	2,841	-100.00%
Other expenses	142,336	155,727	-8.60%	74,788	95,454	-21.65%
Totals	<u>\$ 2,165,168</u>	<u>2,015,381</u>	<u>7.43%</u>	<u>1,784,676</u>	<u>1,555,619</u>	<u>14.72%</u>

For the year ended June 30, 2008:

- The cost financed by users of the District's programs was \$85,920.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$294,572.
- The net cost of governmental activities was financed with \$716,589 in local property taxes, \$178,147 in local option sales and service tax, \$818,945 in unrestricted state grants, and \$10,852 in interest income.

### Business-Type Activities

Revenues for the District's business-type activities were \$165,171 and expenses were \$202,481. The District's business-type activities include the School Nutrition Fund and the Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### INDIVIDUAL FUND ANALYSIS

As previously noted, the Fremont Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$398,635 compared to last year's ending fund balances of \$460,405.

### Governmental Fund Highlights

- The District's decreasing General Fund financial position is the product of many factors. Decreases in local sources caused the decrease in revenues. The increase in expenditures along with the decrease in revenues resulted in the General Fund balance to decrease by \$97,536.
- The Physical Plant and Equipment Levy (PPEL) fund balance decreased from \$91,871 to \$59,072 in fiscal 2008 due to increased expenditures when compared to fiscal 2007.
- The Capital Projects fund balance increased from \$221,580 in fiscal 2007 to \$292,666 in fiscal 2008 primarily because of the increase in revenues compared to the prior year.

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## Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$32,231 at June 30, 2007 to \$23,316 at June 30, 2008, while the Day Care Fund net assets decreased from \$51,770 to \$23,375. This represents a net decrease of approximately 44.42%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$246,768 less than budgeted revenues, a variance of 9.82%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2008, the District had invested \$1,163,704, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 3.89% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$47,153.

The original cost of the District's capital assets was \$1,969,844. Governmental funds account for \$1,957,613 with the remainder of \$12,231 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$56,508 at June 30, 2008 compared to \$70,882 at June 30, 2007. The decrease is due to the current year depreciation.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 27,500	27,500	0	0	27,500	27,500	0.00%
Buildings	1,062,787	1,094,536	0	0	1,062,787	1,094,536	-2.90%
Improvements other than buildings	16,909	17,939	0	0	16,909	17,939	-5.74%
Machinery and equipment	48,898	61,894	7,610	8,988	56,508	70,882	-20.28%
Total	\$ 1,156,094	1,201,869	7,610	8,988	1,163,704	1,210,857	-3.89%

### Long-Term Debt

At June 30, 2008, the District had long-term debt outstanding of \$717,500 in general obligation bonds and computer loans payable. This represents a decrease of 5.59% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

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The District had total outstanding general obligation bonds payable of \$680,000 at June 30, 2008.

The District had a computer loan outstanding of \$37,500, payable from the Special Revenue, Physical Plant and Equipment Levy Fund at June 30, 2008.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
General obligation bonds	\$ 680,000	760,000	-10.53%
Computer loan	37,500	0	100.00%
Totals	\$ 717,500	760,000	-5.59%

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

- The decrease in enrollment to the District for fiscal 2008 hurt the General Fund revenues. If the District can possibly increase enrollment over the following years, this will help the District to maintain stability.
- The daycare facilities the District has is a definite asset to drawing more students to the District and increasing revenues. Hopefully, this trend will continue to maintain the health of the District.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Shelly Anderson, Business Manager/Board Secretary, Fremont Community School District, 525 East Main Street, Fremont, Iowa, 52561.

BASIC FINANCIAL STATEMENTS

FREMONT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 449,657	40,928	490,585
Receivables:			
Property tax:			
Delinquent	10,629	0	10,629
Succeeding year	693,210	0	693,210
Income surtax	62,408	0	62,408
Accounts	0	3,343	3,343
Interfund	(50)	50	0
Due from other governments	68,730	3,689	72,419
Prepaid expenses	1,598	0	1,598
Inventories	0	445	445
Capital assets, net of accumulated depreciation(Note 5)	1,156,094	7,610	1,163,704
<b>Total Assets</b>	<b>2,442,276</b>	<b>56,065</b>	<b>2,498,341</b>
<b>Liabilities</b>			
Accounts payable	8,974	0	8,974
Salaries and benefits payable	118,865	9,374	128,239
Interest payable	4,938	0	4,938
Deferred revenue:			
Succeeding year property tax	693,210	0	693,210
Other	4,090	0	4,090
Long-term liabilities(Note 6):			
Portion due within one year:			
General obligation bonds payable	80,000	0	80,000
Computer loan payable	15,000	0	15,000
Portion due after one year:			
General obligation bonds payable	600,000	0	600,000
Computer loan payable	22,500	0	22,500
<b>Total Liabilities</b>	<b>1,547,577</b>	<b>9,374</b>	<b>1,556,951</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	438,594	7,610	446,204
Restricted for:			
Beginning teacher mentoring	752	0	752
Professional development	5,067	0	5,067
Market factor	1,267	0	1,267
Salary improvement program	298	0	298
Market factor incentives	1,328	0	1,328
Empowerment	4,143	0	4,143
Early intervention	8,887	0	8,887
Talented and gifted	18,400	0	18,400
Management Levy	43,666	0	43,666
Physical plant and equipment levy	82,841	0	82,841
Capital projects	292,666	0	292,666
Other special revenue purposes	20,126	0	20,126
Unrestricted	(23,336)	39,081	15,745
<b>Total Net Assets</b>	<b>\$ 894,699</b>	<b>46,691</b>	<b>941,390</b>

SEE NOTES TO FINANCIAL STATEMENTS.



FREMONT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Expenses	Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total	
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular instruction	\$ 1,168,914	45,597	215,496	(907,821)	0	(907,821)
Special instruction	179,631	0	11,359	(168,272)	0	(168,272)
Other instruction	1,632	40,323	0	38,691	0	38,691
	<u>1,350,177</u>	<u>85,920</u>	<u>226,855</u>	<u>(1,037,402)</u>	<u>0</u>	<u>(1,037,402)</u>
Support services:						
Student services	7,920	0	0	(7,920)	0	(7,920)
Instructional staff services	84,818	0	0	(84,818)	0	(84,818)
Administration services	261,416	0	0	(261,416)	0	(261,416)
Operation and maintenance of plant services	220,385	0	0	(220,385)	0	(220,385)
Transportation services	98,116	0	169	(97,947)	0	(97,947)
	<u>672,655</u>	<u>0</u>	<u>169</u>	<u>(672,486)</u>	<u>0</u>	<u>(672,486)</u>
Other expenditures:						
Facilities acquisitions	10,979	0	0	(10,979)	0	(10,979)
Long-term debt interest and fiscal charges	31,030	0	0	(31,030)	0	(31,030)
AEA flowthrough	67,548	0	67,548	0	0	0
Depreciation(unallocated)*	32,779	0	0	(32,779)	0	(32,779)
	<u>142,336</u>	<u>0</u>	<u>67,548</u>	<u>(74,788)</u>	<u>0</u>	<u>(74,788)</u>
Total governmental activities	2,165,168	85,920	294,572	(1,784,676)	0	(1,784,676)
Business-Type activities:						
Administration services	787	0	0	0	(787)	(787)
Non-instructional programs:						
Nutrition services	74,667	24,634	41,318	0	(8,715)	(8,715)
Daycare	127,027	96,060	3,000	0	(27,967)	(27,967)
	<u>201,694</u>	<u>120,694</u>	<u>44,318</u>	<u>0</u>	<u>(36,682)</u>	<u>(36,682)</u>
Total business-type activities	<u>202,481</u>	<u>120,694</u>	<u>44,318</u>	<u>0</u>	<u>(37,469)</u>	<u>(37,469)</u>
Total	<u>\$ 2,367,649</u>	<u>206,614</u>	<u>338,890</u>	<u>(1,784,676)</u>	<u>(37,469)</u>	<u>(1,822,145)</u>
<b>General Revenues:</b>						
Local tax for:						
General purposes			\$ 696,295	0	696,295	
Capital outlay			20,294	0	20,294	
Local option sales and services			178,147	0	178,147	
Unrestricted state grants			818,945	0	818,945	
Unrestricted investment earnings			10,852	159	11,011	
Other general revenues			22,585	0	22,585	
Total general revenues			<u>1,747,118</u>	<u>159</u>	<u>1,747,277</u>	
Changes in net assets			(37,558)	(37,310)	(74,868)	
Net assets beginning of year			<u>932,257</u>	<u>84,001</u>	<u>1,016,258</u>	
Net assets end of year			<u>\$ 894,699</u>	<u>46,691</u>	<u>941,390</u>	

\* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008

	General	Physical Plant & Equipment Levy	Capital Projects	Nonmajor Governmental Funds	Total
<b>Assets</b>					
Cash and pooled investments	\$ 63,743	58,738	264,545	62,631	449,657
Receivables:					
Property tax:					
Delinquent	9,636	334	0	659	10,629
Succeeding year	629,441	23,769	0	40,000	693,210
Income surtax	36,405	26,003	0	0	62,408
Interfund	25	0	0	502	527
Due from other governments	40,609	0	28,121	0	68,730
Prepaid expenses	1,598	0	0	0	1,598
<b>Total Assets</b>	<b>\$ 781,457</b>	<b>108,844</b>	<b>292,666</b>	<b>103,792</b>	<b>1,286,759</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Interfund payable	\$ 577	0	0	0	577
Accounts payable	8,974	0	0	0	8,974
Salaries and benefits payable	118,865	0	0	0	118,865
Deferred revenue:					
Succeeding year property tax	629,441	23,769	0	40,000	693,210
Income surtax	36,405	26,003	0	0	62,408
Other	4,090	0	0	0	4,090
Total liabilities	798,352	49,772	0	40,000	888,124
Fund balances:					
Reserved for:					
Prepaid expenses	1,598	0	0	0	1,598
Beginning teacher mentoring	752	0	0	0	752
Professional development	5,067	0	0	0	5,067
Market factor	1,267	0	0	0	1,267
Salary improvement program	298	0	0	0	298
Market factor incentives	1,328	0	0	0	1,328
Empowerment	4,143	0	0	0	4,143
Early intervention	8,887	0	0	0	8,887
Talented and gifted	18,400	0	0	0	18,400
Unreserved	(58,635)	59,072	292,666	63,792	356,895
Total fund balances	(16,895)	59,072	292,666	63,792	398,635
<b>Total Liabilities and Fund Balances</b>	<b>\$ 781,457</b>	<b>108,844</b>	<b>292,666</b>	<b>103,792</b>	<b>1,286,759</b>

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2008

<b>Total fund balances of governmental funds (page 15)</b>	\$ 398,635
<b><i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i></b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,156,094
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(4,938)
Long-term liabilities, including bonds payable and computer loans payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(717,500)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	<u>62,408</u>
<b>Net assets of governmental activities (page 13)</b>	<u><u>\$ 894,699</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008

	General	Physical Plant & Equipment Levy	Capital Projects	Nonmajor Governmental Funds	Total
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 628,570	20,294	178,147	40,071	867,082
Tuition	42,306	0	0	0	42,306
Other	52,219	1,484	0	23,327	77,030
State sources	1,028,601	2	0	3	1,028,606
Federal sources	84,807	0	0	0	84,807
Total revenues	1,836,503	21,780	178,147	63,401	2,099,831
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular instruction	1,134,760	0	0	30,714	1,165,474
Special instruction	179,631	0	0	0	179,631
Other instruction	1,219	0	0	413	1,632
	1,315,610	0	0	31,127	1,346,737
Support services:					
Student services	7,920	0	0	0	7,920
Instructional staff services	29,630	55,188	0	0	84,818
Administration services	256,304	600	2,580	1,932	261,416
Operation and maintenance of plant services	171,206	23,476	0	25,328	220,010
Transportation services	85,946	0	0	2,989	88,935
	551,006	79,264	2,580	30,249	663,099
Other expenditures:					
Facilities acquisitions	0	10,979	0	0	10,979
Long-term debt:					
Principal	0	0	0	87,500	87,500
Interest and fiscal charges	0	0	0	30,863	30,863
AEA flowthrough	67,548	0	0	0	67,548
	67,548	10,979	0	118,363	196,890
Total expenditures	1,934,164	90,243	2,580	179,739	2,206,726
Excess(deficiency) of revenues over(under) expenditures	(97,661)	(68,463)	175,567	(116,338)	(106,895)
<b>OTHER FINANCING SOURCES(USES):</b>					
Transfer in	0	0	0	113,817	113,817
Transfer out	0	(9,336)	(104,481)	0	(113,817)
Proceeds from loans	0	45,000	0	0	45,000
Sale of equipment	125	0	0	0	125
TOTAL OTHER FINANCING SOURCES(USES)	125	35,664	(104,481)	113,817	45,125
Net change in fund balances	(97,536)	(32,799)	71,086	(2,521)	(61,770)
Fund balance beginning of year	80,641	91,871	221,580	66,313	460,405
Fund balance end of year	\$ (16,895)	59,072	292,666	63,792	398,635

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds(page 17) \$ (61,770)

*Amounts reported for governmental activities in the  
 Statement of Activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense in the current year is as follows: (45,775)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues and repayments are as follows:

Issued	\$ (45,000)	
Repaid	87,500	42,500

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (167)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 27,654

Changes in net assets of governmental activities(page 14) \$ (37,558)

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2008

	School Nutrition	Day Care	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 12,356	28,572	40,928
Interfund receivable	0	75	75
Accounts receivable	1,502	1,841	3,343
Due from other governments	3,689	0	3,689
Inventories	445	0	445
Capital assets, net of accumulated depreciation (Note 5)	7,610	0	7,610
<b>Total Assets</b>	<b>25,602</b>	<b>30,488</b>	<b>56,090</b>
<b>Liabilities</b>			
Interfund payable	0	25	25
Salaries and benefits payable	2,286	7,088	9,374
<b>Total Liabilities</b>	<b>2,286</b>	<b>7,113</b>	<b>9,399</b>
<b>Net Assets</b>			
Invested in capital assets	7,610	0	7,610
Unrestricted	15,706	23,375	39,081
<b>Total Net Assets</b>	<b>\$ 23,316</b>	<b>23,375</b>	<b>46,691</b>

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2008

	School Nutrition	Day Care	Total
OPERATING REVENUE:			
Local sources:			
Other local sources:			
Charges for services	\$ 24,634	96,060	120,694
OPERATING EXPENSES:			
Support services:			
Administration services:			
Benefits	200	423	623
Services	0	164	164
	200	587	787
Non-instructional programs:			
Salaries	28,912	106,172	135,084
Benefits	3,989	13,311	17,300
Services	1,568	1,073	2,641
Supplies	38,820	6,471	45,291
Depreciation	1,378	0	1,378
	74,667	127,027	201,694
TOTAL OPERATING EXPENSES	74,867	127,614	202,481
OPERATING LOSS	(50,233)	(31,554)	(81,787)
NON-OPERATING REVENUES:			
Interest income	0	159	159
State sources	927	3,000	3,927
Federal sources	40,391	0	40,391
TOTAL NON-OPERATING REVENUES	41,318	3,159	44,477
Change in net assets	(8,915)	(28,395)	(37,310)
Net assets at beginning of year	32,231	51,770	84,001
Net assets end of year	\$ 23,316	23,375	46,691

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2008

	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 25,067	0	25,067
Cash received from miscellaneous operating activities	285	112,278	112,563
Cash payments to employees for services	(31,037)	(119,519)	(150,556)
Cash payments to suppliers for goods or services	(37,729)	(8,603)	(46,332)
Net cash used in operating activities	(43,414)	(15,844)	(59,258)
Cash flows from non-capital financing activities:			
Interfund due from General Fund	0	(50)	(50)
State grants received	927	3,000	3,927
Federal grants received	33,924	0	33,924
Net cash provided by non-capital financing activities	34,851	2,950	37,801
Cash flows from investing activities:			
Interest on investments	0	159	159
Net decrease in cash and cash equivalents	(8,563)	(12,735)	(21,298)
Cash and cash equivalents at beginning of year	20,919	41,307	62,226
Cash and cash equivalents at end of year	\$ 12,356	28,572	40,928
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (50,233)	(31,554)	(81,787)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	2,778	0	2,778
Depreciation	1,378	0	1,378
Decrease in accounts receivables	718	16,218	16,936
Decrease in accounts payable	(119)	(895)	(1,014)
Increase in salaries and benefits payable	2,064	387	2,451
Net cash used in operating activities	\$ (43,414)	(15,844)	(59,258)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:			
Current assets:			
Cash and pooled investments	\$ 12,356	28,572	40,928

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received  
Federal commodities valued at \$2,778.

SEE NOTES TO FINANCIAL STATEMENTS.



FREMONT COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**(1) Summary of Significant Accounting Policies**

The Fremont Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through eight and special education pre-kindergarten. The geographic area served includes the City of Fremont, Iowa, and the predominate agricultural territory in Keokuk, Mahaska, and Wapello Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Fremont Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Fremont Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Mahaska County Assessor's Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition of capital facilities.

The Special Revenue-Physical Plant and Equipment Levy Fund (PPEL) is used for maintenance and operation of the District's buildings and for purchase of certain items of equipment.

The District reports the following proprietary funds:

The District's proprietary funds include the School Nutrition Fund and the School Day Care Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Day Care Fund is used to account for child care services for the District.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board

Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on

January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	25-50 years
Improvements other than buildings	20 years
Machinery and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial

statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

### (2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the district had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ 216,599

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. Certificates of deposit are classified as Category 1, which means the investments are insured and held by the District in the District's name. Certificates of deposit are stated at fair value.

At June 30, 2008, the District had investments in Certificates of Deposit maturing over one year as follows:

	Amortized Cost
Certificates of Deposit	\$ 45,000

**(3) Interfund Receivables and Payables**

The detail of interfund receivables and payables at June 30, 2008 is as follows:

Receivable Fund	Payable Fund	Amount
General	Proprietary- Day Care	\$ 25
Special Revenue - Student Activity	General	502
Proprietary - Day Care	General	75
Total		\$ 602

**(4) Transfers**

The detail of transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 9,336
Debt Service	Special Revenue - Physical Plant and Equipment Levy	104,481
Total		\$ 113,817

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 27,500	0	0	27,500
Total capital assets not being depreciated	27,500	0	0	27,500
Capital assets being depreciated:				
Buildings	1,662,733	0	0	1,662,733
Improvements other than buildings	20,593	0	0	20,593
Machinery and equipment	246,787	0	0	246,787
Total capital assets being depreciated	1,930,113	0	0	1,930,113
Less accumulated depreciation for:				
Buildings	568,197	31,749	0	599,946
Improvements other than buildings	2,654	1,030	0	3,684
Machinery and equipment	184,893	12,996	0	197,889
Total accumulated depreciation	755,744	45,775	0	801,519
Total capital assets being depreciated, net	1,174,369	(45,775)	0	1,128,594
Governmental activities capital assets, net	\$ 1,201,869	(45,775)	0	1,156,094

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 12,231	0	0	12,231
Less accumulated depreciation	3,243	1,378	0	4,621
Business-type activities capital assets, net	\$ 8,988	(1,378)	0	7,610

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 3,440
Support services:	
Operation and maintenance of plant services	375
Transportation	9,181
	12,996
Unallocated depreciation	32,779
Total governmental activities depreciation expense	\$ 45,775
Business-type activities:	
Food services	\$ 1,378



(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 760,000	0	80,000	680,000	80,000
Computer loan	0	45,000	7,500	37,500	15,000
Totals	\$ 760,000	45,000	87,500	717,500	95,000

General Obligation Bonds Payable

Details of the District's June 30, 2008 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Interest Rate	Bond issue February 1, 2006		
		Principal	Interest	Total
2009	3.50	% \$ 80,000	25,907	105,907
2010	3.60	85,000	23,107	108,107
2011	3.70	85,000	20,048	105,048
2012	3.80	90,000	16,903	106,903
2013	3.90	95,000	13,483	108,483
2014	3.95	95,000	9,778	104,778
2015	4.05	100,000	6,025	106,025
2016	4.00	50,000	2,025	52,025
Total		\$ 680,000	117,276	797,276

Computer loan payable

During the year ended June 30, 2008, the District entered into a loan agreement with Bank Iowa for the purchase of forty computers. The loan bears interest at 6.47% per annum and is payable from the Special Revenue, Physical Plant and Equipment Levy Fund. Details of the District's indebtedness under the agreements in effect at June 30, 2008 are as follows:

Year Ending June 30,	Interest Rate	Computer loan dated August 16, 2007		
		Principal	Interest	Total
2009	6.47	% \$ 15,000	1,596	16,596
2010	6.47	15,000	1,232	16,232
2011	6.47	7,500	248	7,748
Total		\$ 37,500	3,076	40,576

**(7) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual payroll for the years ended June 30, 2008, 2007, and 2006. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$56,014, \$47,879, and \$44,799, respectively, equal to the required contributions for each year.

**(8) Risk Management**

The District is a member in the Iowa School Employee Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides dental coverage for employees of the District. The District's contributions to ISEBA for the year ended June 30, 2008 totaled \$4,430.

Fremont Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$67,548 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Deficit Fund Balance/Unrestricted Net Assets**

The District has a deficit undesignated fund balance in the General Fund of \$58,635. The District also has a deficit unrestricted net asset balance of \$23,336.

REQUIRED SUPPLEMENTARY INFORMATION

FREMONT COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2008

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 986,418	120,853	1,107,271	1,347,592	1,347,592	(240,321)
Intermediate sources	0	0	0	900	900	(900)
State sources	1,028,606	3,927	1,032,533	1,054,278	1,054,278	(21,745)
Federal sources	84,807	40,391	125,198	109,000	109,000	16,198
Total revenues	2,099,831	165,171	2,265,002	2,511,770	2,511,770	(246,768)
Expenditures:						
Instruction	1,346,737	0	1,346,737	1,839,359	1,839,359	492,622
Support services	663,099	787	663,886	856,797	856,797	192,911
Non-instructional programs	0	201,694	201,694	208,757	208,757	7,063
Other expenditures	196,890	0	196,890	599,592	599,592	402,702
Total expenditures	2,206,726	202,481	2,409,207	3,504,505	3,504,505	1,095,298
Excess(deficiency) of revenues over(under) expenditures	(106,895)	(37,310)	(144,205)	(992,735)	(992,735)	848,530
Other financing sources, net	45,125	0	45,125	0	0	45,125
Excess(deficiency) of revenues and other financing sources over(under) expenditures	(61,770)	(37,310)	(99,080)	(992,735)	(992,735)	893,655
Balance beginning of year	460,405	84,001	544,406	729,834	729,834	(185,428)
Balance end of year	\$ 398,635	46,691	445,326	(262,901)	(262,901)	708,227

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FREMONT COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private-Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION

FREMONT COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2008

	<u>Special Revenue Funds</u>		
	Manage-	Student	Total
	ment Levy	Activity	
<b>Assets</b>			
Cash and pooled investments	\$ 43,007	19,624	62,631
Receivables:			
Property tax:			
Current year delinquent	659	0	659
Succeeding year	40,000	0	40,000
Interfund	0	502	502
<b>Total Assets</b>	<u>\$ 83,666</u>	<u>20,126</u>	<u>103,792</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 40,000	0	40,000
Fund Balances:			
Unreserved	43,666	20,126	63,792
<b>Total Liabilities and Fund Balances</b>	<u>\$ 83,666</u>	<u>20,126</u>	<u>103,792</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FREMONT COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2008

	Special Revenue Funds			Total	
	Manage- ment Levy	Student Activity	Total Special Revenue	Debt Service	Nonmajor Governmental Funds
REVENUES:					
Local sources:					
Local tax	\$ 40,071	0	40,071	0	40,071
Other	3,744	19,583	23,327	0	23,327
State sources	3	0	3	0	3
TOTAL REVENUES	43,818	19,583	63,401	0	63,401
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	0	30,714	30,714	0	30,714
Other instruction	0	413	413	0	413
	0	31,127	31,127	0	31,127
Support services:					
Administration services	1,932	0	1,932	0	1,932
Operation and maintenance of plant services	25,328	0	25,328	0	25,328
Transportation services	2,989	0	2,989	0	2,989
	30,249	0	30,249	0	30,249
Other expenditures:					
Long-term debt:					
Principal	0	0	0	87,500	87,500
Interest and fiscal charges	0	0	0	30,863	30,863
	0	0	0	118,363	118,363
TOTAL EXPENDITURES	30,249	31,127	61,376	118,363	179,739
Excess(deficiency) of revenues over(under) expenditures	13,569	(11,544)	2,025	(118,363)	(116,338)
Other financing sources:					
Transfers in	0	0	0	113,817	113,817
Net change in fund balance	13,569	(11,544)	2,025	(4,546)	(2,521)
Fund balance beginning of year	30,097	31,670	61,767	4,546	66,313
Fund balance end of year	\$ 43,666	20,126	63,792	0	63,792

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



FREMONT COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
6th Grade Activities	\$ 429	0	0	429
7th Grade Activities	499	0	0	499
8th Grade Activities	131	82	103	110
Student Council	2,020	42	664	1,398
Yearbook	3,436	913	1,376	2,973
District - Wide Activities	5,781	929	4,251	2,459
Book Fair	1,493	4,495	3,909	2,079
Fundraiser	3,637	470	0	4,107
Sports	5,076	0	48	5,028
Garden	128	0	0	128
MS Trip	8,138	10,928	18,786	280
Field trips	0	293	601	(308)
Resale	189	1,007	29	1,167
Blue Jean	0	121	0	121
Fund Balance	713	303	1,360	(344)
<b>Total</b>	<b>\$ 31,670</b>	<b>19,583</b>	<b>31,127</b>	<b>20,126</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FREMONT COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FIVE YEARS

	Modified Accrual Basis				
	Years Ended June 30,				
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 867,082	837,145	780,046	735,887	765,780
Tuition	42,306	79,228	139,554	68,310	75,534
Other	77,030	128,150	154,275	63,733	60,527
Intermediate sources	0	0	0	4,596	0
State sources	1,028,606	963,674	780,487	729,875	691,071
Federal sources	84,807	82,767	108,785	115,611	36,541
Total	<u>\$ 2,099,831</u>	<u>2,090,964</u>	<u>1,963,147</u>	<u>1,718,012</u>	<u>1,629,453</u>
Expenditures:					
Instruction:					
Regular instruction	\$ 1,165,474	1,039,528	1,063,887	947,368	920,401
Special instruction	179,631	240,540	174,150	172,113	254,925
Other instruction	1,632	18,253	42,497	26,834	21,042
Support services:					
Student services	7,920	5,592	16,900	4,900	4,693
Instructional staff services	84,818	29,525	38,360	36,270	33,975
Administration services	261,416	250,641	277,925	152,025	184,048
Operation and maintenance of plant services	220,010	168,537	157,972	130,981	241,780
Transportation services	88,935	71,670	64,763	106,917	33,222
Non-instructional	0	2,841	0	0	18,568
Other expenditures:					
Facilities acquisitions	10,979	31	18,891	17,247	0
Long-term debt:					
Principal	87,500	65,000	60,000	55,000	50,000
Interest and fiscal charges	30,863	45,327	47,914	50,662	53,100
AEA flow-through	67,548	60,273	52,468	52,202	53,473
Total	<u>\$ 2,206,726</u>	<u>1,997,758</u>	<u>2,015,727</u>	<u>1,752,519</u>	<u>1,869,227</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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Independent Auditor's Report on Internal Control over financial Reporting and on Compliance  
and Other Matters  
Based on an Audit of Financial Statements performed in Accordance with  
Government Auditing Standards

To the Board of Education of the  
Fremont Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Fremont Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 19, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Fremont Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Fremont Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Fremont Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Fremont Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Fremont Community School District's financial statements that is more than inconsequential will not be prevented or detected by Fremont Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Fremont Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fremont Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Fremont Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Fremont Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Fremont Community School District and other parties to whom Fremont Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Fremont Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

March 19, 2009

FREMONT COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

- I-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits, bank reconciliations, posting of cash receipts to the cash receipts journal, and payroll and payroll records are all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The District will review the policy and structure for possible adjustments in duties.

Conclusion - Response accepted.

- I-B-08 Reliable Financial Statements - Iowa School Districts are required to record the financial records on a GAAP Basis of Accounting. The financial records are normally converted at year end, after a year of cash based records. The recognition of receivables, payables, inventory, long-term debt recognition and depreciation of capital assets are all pieces which the accounting personnel is expected to be completing. The individuals performing the accounting function needs to be well trained in all areas to be effective in completing the Certified Annual Report. The Iowa Association of School Business Officials provides training to its members as does the Department of Education and Software Unlimited. This training helps in providing instruction as well as promotes networking of other accounting personnel. There were no end of year adjustments made to the Nutrition Fund to convert the financial statements to GAAP basis.

Recommendation - The maintenance of reliable accounting records has and continues to be important in every district. The necessity of the numerous adjustments for the financial statements may indicate that additional training is necessary for the accounting personnel. The District should consider sending their accounting staff to end-of-year training in an effort to provide more reliable financial statements.

Response - The District will seek additional training for employees through IASBO or other suitable organizations will be sought.

Conclusion - Response accepted.

- I-C-08 Accounting Records - It was noted during the audit that there was a bank account that was not being accounted for within the District software system.

Recommendation - The District should add the insurance bank account onto the accounting software. The District should reconcile bank statement balances to financial statement bank balances on a monthly basis.

Response - The District will explore the capabilities of Software Unlimited and will work to improve financial reporting and show the account reconciliation of the insurance account.

Conclusion - Response accepted.

- I-D-08 Grants - We noted during our audit, that when expenditures for specific projects were posted, expenses were not always properly posted to those projects.

Recommendation - The District should review the coding of bills, to ensure that all bills paid for a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures.

Response - The District will work on improving the coding of expenditures.

Conclusion - Response accepted.

- I-E-08 Student Activity Funds - During our audit concerns arose about certain expenditures paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The Student Activity Fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in Department of Education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281--12.6(1). The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear the some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended. More specific examples of these instances of questioned items and recommendations are as follows:

There is an unreserved fund balance account and a field trip account. These two accounts appear to be primarily for instructional field trips. Revenues and expenses for instructional purposes are more appropriate in the General Fund. The balance in both of these accounts should be transferred to the General Fund.

There is a District-wide Activities account, a Garden account and a Bookfair account. The revenues and expenditures in these accounts appear more instructional in nature and should be run through the General Fund. The balance in these accounts should be transferred to the General Fund.

We noted that Lifetouch picture commissions were being receipted into the Student Activity Fund. These funds are received as a result of commissions on pictures. Commissions should be recorded in the General Fund.

We noted that Target donations were being receipted into the Student Activity Fund. These donations do not specify the purpose other than instructional supplies; therefore, these donations should be receipted into the General Fund for use in all instructional supplies.

The District needs to look at the appropriateness of the Resale account, Sports account and the Fundraiser account. There were revenues or expenditures coded to these accounts and should be reviewed for inactivity. The Fundraiser should be closed out and any further fundraisers should go to the group that is performing the fundraiser.

Response - Activity accounts will be reviewed and closed or transferred as directed.

Conclusion - Response accepted.

- I-F-08 Credit Card and Cell Phone Policies - We noted during our audit that the District had not implemented a credit card policy that states the procedures to be used for the use of the District's Wal-Mart and Casey's credit cards. We also noted that the District does not have a policy in place for the procedures on the use of a District owned cell phone.

Recommendation - The District should review the policies in place and update the necessary credit card and cell phone policies.

Response - The District will review and update its policies.

Conclusion - Response accepted.

FREMONT COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:

II-A-08 Certified Budget - District expenditures for the year ended June 30, 2008, did not exceed the amount budgeted.

II-B-08 Questionable Disbursements - We noted during our audit that the District gave gift certificates to individual students from the Student Activity Fund as prizes for graduation. Gift certificates as graduation prizes do not appear to meet the guidelines for public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - The District will discontinue this practice.

Conclusion - Response accepted.

II-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

However, we noted during our audit a reimbursement to an employee for travel expenses that did not have a detailed receipt for supporting documentation. According to District policy 401.7, employees that seek reimbursement of expenses must attach a detailed receipt to the claim form, otherwise the expense becomes that of the employee and not the District.

Recommendation - The District should review procedures in place with personnel to ensure the proper detailed documentation will be available with paid meal reimbursements.

Response - The District will work to ensure that detailed receipts are being turned in for reimbursement. Also, a travel reimbursement form will be created and required in addition with a detailed receipt for reimbursement.

Conclusion - Response accepted.

II-D-08 Business Transactions - Business transactions between the District and District officials and employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Gary Mitterer, Board President Owner of Country Store	School supplies	\$2,067
Dennis Paxton, Janitor	Mowing services	\$1,038

In accordance with the Chapter 279.7A of the code of Iowa, the above transactions with Mr. Mitterer do not appear to represent a conflict of interest.



In accordance with the Attorney's General's opinion dated July 2, 1990, the above transaction with the Mr. Paxton does not appear to represent a conflict of interest.

- II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-08 Certified Enrollment - We noted that the number of tuition out students reported to the Iowa Department of Education on line 3 of the Certified Enrollment Certification Form for October 2007 was overstated by 1 student.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We will contact the Iowa Department of Education and the Department of Management.

Conclusion - Response accepted.

- II-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-08 Certified Annual Report - The Certified Annual Report was not filed with the Department of Education timely. However, we noted no significant deficiencies in the amounts reported.

Recommendation - The District should submit the Certified Annual Report in a timely manner in the future.

Response - The CAR will be submitted on time in the future.

Conclusion - Response accepted.

- II-J-08 Electronic Check Retention - We noted during our audit that the District receives their checks from the bank as photo images showing only the front of the checks. Per Chapter 544D.114 of the Code of Iowa, the District is required to retain both the front and back of check images.

Recommendation - The District should contact the bank to rectify the situation. The District should receive the photo images showing both the front and back of the checks or the original issued check.

Response - The District will request photo images of both the fronts and backs of checks from the bank.

Conclusion - Response accepted.

II-K-08 Financial Condition - The District had a deficit undesignated fund balance of \$58,635 in the General Fund. The District also had a deficit unrestricted net asset balance of \$23,336.

Recommendation - The District should continue to monitor the fund balance and investigate alternatives to eliminate the deficit.

Response - The cash reserve levy will be used to generate funds for the General Fund.

Conclusion - Response accepted.

II-L-08 Retention of Supporting Documentation - Chapter 291.6 of the Code of Iowa requires the Board Secretary to preserve and file all copies of pertinent paperwork related to the business of the District. During our audit, it was noted that two invoices that were requested for disbursement testing of the Student Activity Fund were unavailable for audit.

Recommendation - The District Secretary should be required by the Board of Directors of the District to preserve all copies of pertinent paperwork and invoices for the District to be in compliance with Chapter 291.6 of the Code of Iowa.

Response - Increased attention will be given to retention and maintenance of invoices and other records.

Conclusion - Response accepted.

II-M-08 Financial Reports to the Board - Chapter 291.7 of the Code of Iowa requires the Board Secretary to file monthly financial statements and reports with the District's Board of Directors. To effectively govern, the District's Board of Directors must have current information for all District funds.

Recommendation - Financial statements including a balance sheet and a statement of revenues and expenditures for each fund should be presented to the District's Board of Directors at each monthly meeting to be in compliance with Chapter 291.7 of the Code of Iowa.

Response- The District will start providing such statements to the Board.

Conclusion - Response accepted.